

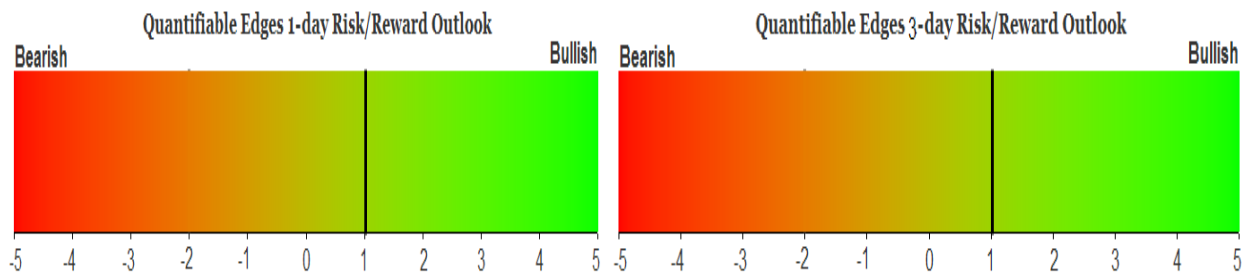
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 30, 2022

Volume 15 Issue 250

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- Strong 1-day rallies in between Christmas and New Year have typically been followed by more buying.
- The gap and go action on Thursday suggests a possible pullback Friday.
- Indices have often seen selling heading into the close on the last day of the year.
- Overall, the last day of the year used to be very bullish, but that changed around the turn of the century.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but evidence is mixed and the market is primed to flip to overbought. I believe the edge is small.

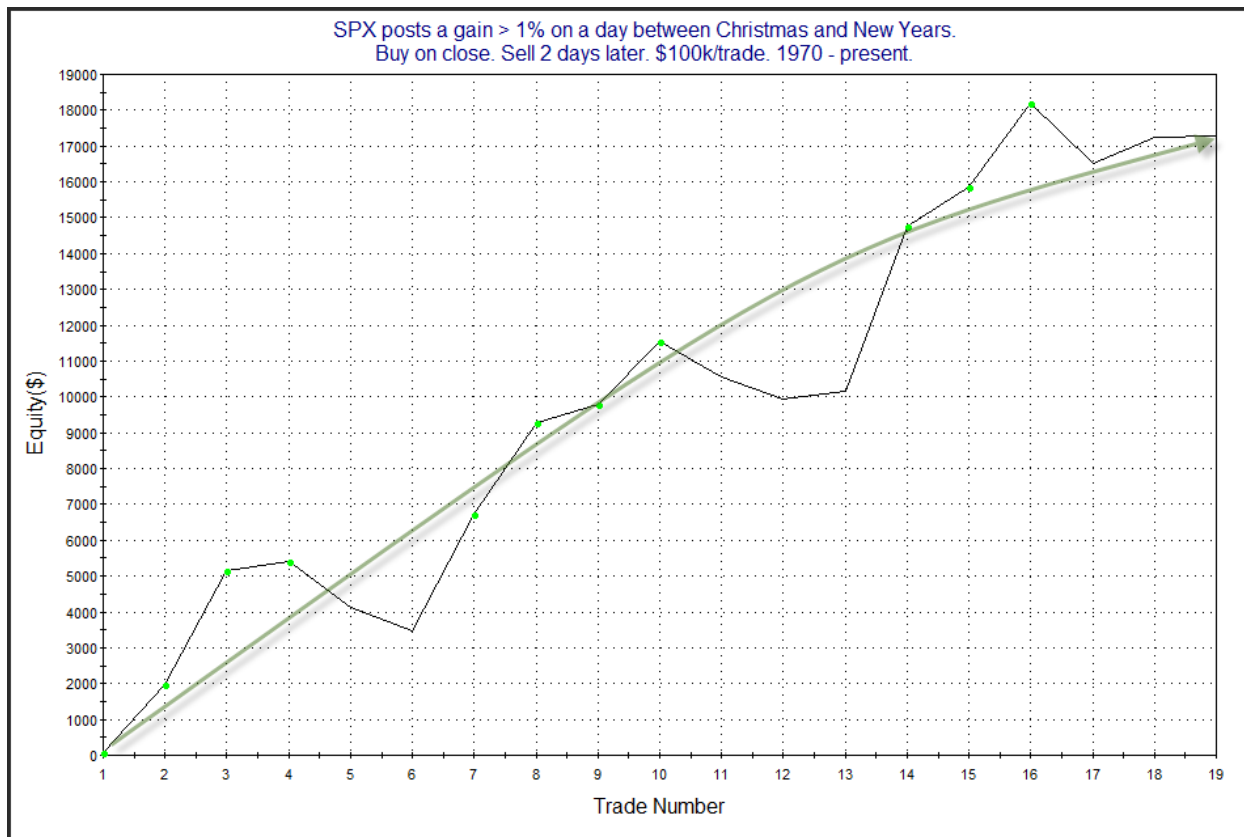
The Evidence

Thursday saw a big bounce. The SPX rose 1.75%, the NASDAQ rallied 2.59%, and the Russell 2000 jumped 2.57%. Breadth was positive with the NYSE Up Issues % coming in at 80% and the Up Volume % at 90%. NYSE total volume rose for the 3rd day in a row.

The week between Christmas and New Year's is often a quiet one that is not prone to large-move days. And this is now the 2nd day in a row that we have seen a big move. Last night I showed a study that suggested a large down day between Christmas and New Year was typically followed by a bounce. Back in the 12/27/18 letter I looked at 1-day *rallies* of at least 1% during this same week. I have updated that study below.

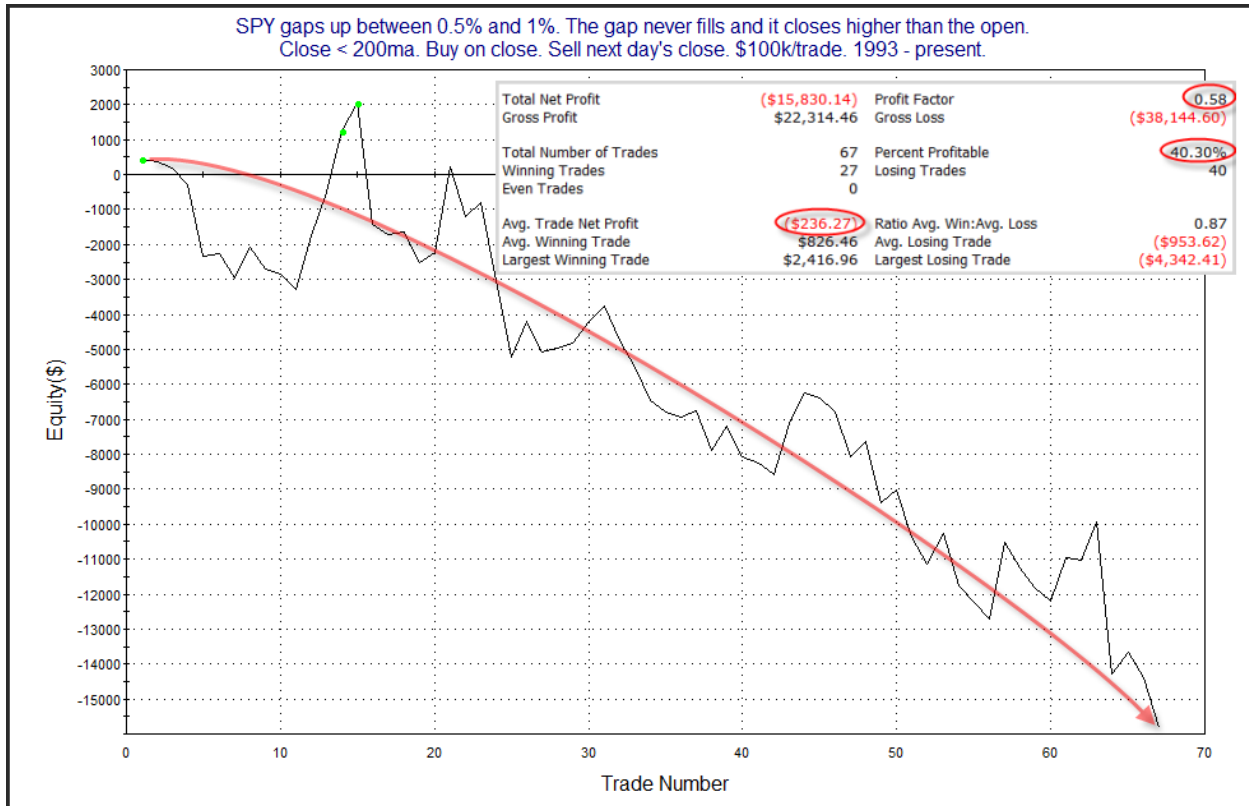
SPX posts a gain > 1% on a day between Christmas and New Years. Buy on close. Sell X days later. \$100k/trade. 1970 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	19,463.67	17	14	3	82.35	5,323.63	-4,228.80	1,941.24	-2,571.23	0.75	3.52	1,144.92
4	24,938.90	17	13	4	76.47	4,934.72	-2,959.20	2,329.51	-1,336.19	1.74	5.67	1,466.99
3	14,865.51	17	10	7	58.82	4,336.28	-3,423.75	2,561.59	-1,535.77	1.67	2.38	874.44
2	17,212.22	18	13	5	72.22	4,609.92	-1,652.16	1,725.10	-1,042.81	1.65	4.30	956.23
1	11,803.59	21	12	9	57.14	3,140.50	-984.20	1,355.49	-495.81	2.73	3.65	562.08

Numbers here are strong, and they suggest an upside edge. Below is a look at a 2-day profit curve.



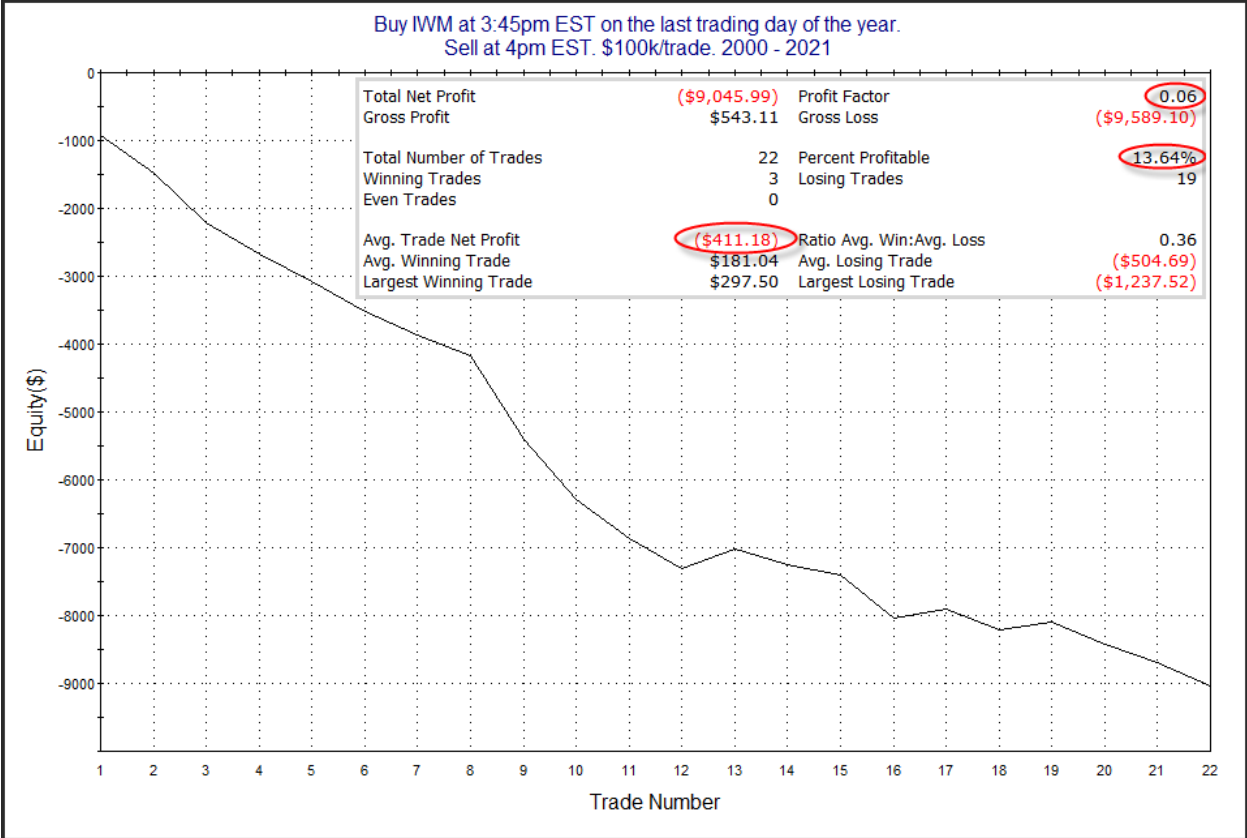
That is an impressive move upwards. It appears big rallies during this week tend to see follow-on rallying in the next few days.

There was also a study from the 12/22/22 letter that I found compelling. It considered the price action on Thursday, including the unfilled up-gap and the fact that SPY is still below its 200ma. I have updated below.



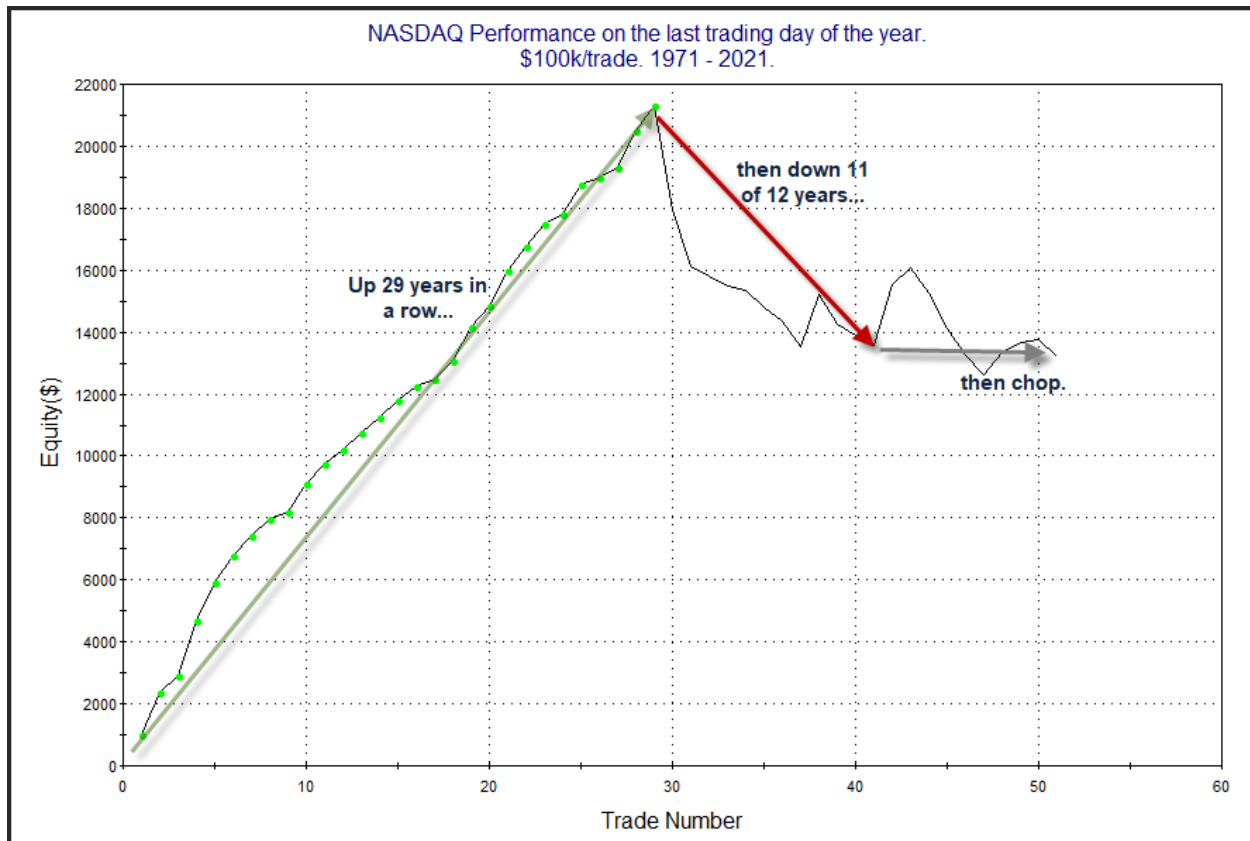
Stats are moderately negative, but the curve makes the study more compelling. I have included this study on the active list.

In past years I have noted that the market has had a tendency to sell off heading into the close on the final day of the year. The study below shows IWM performance in the last 15 minutes of the year.



There has been a substantial and consistent downside tendency for the market to sell off in the last few minutes of the year.

The last day of the year used to be consistently bullish for the market. But that has changed since the turn of the century. This is true across a number of indices. The most dramatic example is the NASDAQ, which I highlighted a few years ago. I have updated the chart below.



Closing up 29 years in a row is fairly astounding. Just as astounding is the abrupt changes in behavior we have seen. I have no good explanation for why such a formerly consistent edge changed, but it did.

This Nasdaq study is a great reminder though. The market is constantly changing and evolving. 2023 is just a few trading hours away. I'm not sure what it has in store for us, but I know it will play out in its own unique pattern. We will see clues along the way, and many of the truisms we've identified through studies over the last 15 years at Quantifiable Edges will continue to work. But some may flounder. And when something stops working, like the "last day of year bullishness" above, then I will do my best to recognize it early. Examining edges is more than just running numbers. Researches and traders need to keep an open mind, understand the market is continually evolving, and adapt.

I have updated [the Aggregator chart](#) below.



With tonight's evidence considered, the green Aggregator Line remained above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line also held above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation stayed long at the close.

Based on the current active studies, expectations are set to remain positive on Friday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *slightly inverted* at 3841.66 on Friday. That is 0.2% *below* Thursday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close down at least 0.2% in order to remain oversold vs recent expectations. Anything other than that and it will be considered "overbought" vs recent expectations as of the close on Friday.

So the Aggregator is bullish. But evidence is now mixed and the Differential Pivot is inverted. I often view inverted pivots as opportune times to take profits, since upside is limited. I will do just that tomorrow if SPX rallies some during the day. Have a happy, healthy, peaceful, and prosperous New Year!

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/27 – slightly bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

TSLA – 1/3 @ \$123.15 (bought @ LIMIT)

TSLA – 1/3 @ \$109.10 (bought @ LIMIT)

Broad Market Large Cap CBI – 2(TSLA-2)

Additional New Trade Ideas

A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	12/20/2022	\$379.23	\$383.44	1.11%	sell @ \$384.00 LIMIT
TSLA(1/3)	12/27/2022	\$117.50	\$121.82	3.68%	Catapult
TSLA(1/3)	12/28/2022	\$109.10	\$121.82	11.66%	Catapult

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